

STATE BOARD MEETING DATE

December 8, 2008

SUBJECT: Consideration to Determine Non-Compliance with the USFR for Main Consolidated School District No. 10.

SUBMITTED BY: Chad Sampson

BACKGROUND INFORMATION:

Under Arizona law, Main Consolidated School District (the “District”) must spend and account for public funds in accordance with the Uniform System of Financial Records (“USFR”). Jointly developed by the Arizona Department of Education and the Arizona Auditor General’s Office (“Auditor General”), the USFR incorporates finance-related laws and regulations as well as generally accepted accounting principals applicable to school districts. The Auditor General is responsible for assessing whether school districts are in compliance with the USFR, and notifying the Department of Education when they are not. A.R.S. §15-271. Based on the Auditor General’s reports, the State Board of Education may direct the Superintendent of Public Instruction to withhold any portion of state funds from school districts that are out of compliance with the USFR. A.R.S. §15-272. State funds will be withheld until the Auditor General reports that the district has come into compliance with the USFR. A.R.S. §15-272.

The Auditor General reports that the District is out of compliance with the USFR as of October 25, 2007 for the following reasons:

- The District failed to maintain accurate capital assets and stewardship lists.
- The District needs to improve its controls over purchasing and expenditures.
- The District needs to strengthen controls over cash receipts.
- The District needs to ensure food service inventory duties are adequately separated.

STATE BOARD ACTION REQUESTED: [] INFORMATION [] ACTION
DESCRIBE BELOW:

The State Board has the following options:

1. **Move to determine that the District is out of compliance with the USFR based on the reports of the Auditor General and move to direct the Superintendent of Public Instruction to withhold 10% of state funds from the district until the Auditor General reports that the District is in compliance with the USFR;**

- 2. Move to determine that the District is out of compliance with the USFR based on the report of the Auditor General and move to direct the Superintendent of Public Instruction to withhold some other portion of state funds from the District until the Auditor General reports that the District is in compliance with the USFR; or**
- 3. Decline to take action against the District at this time.**